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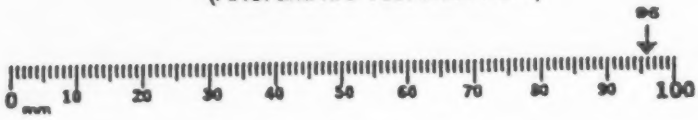

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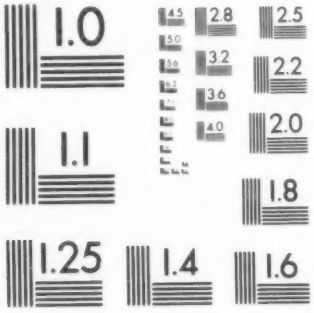

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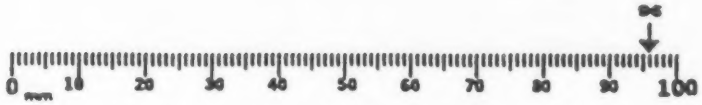

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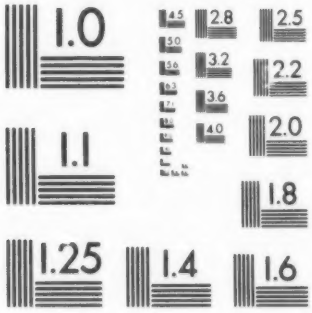

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Annual Report

April 2000 to March 2001

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Table of Contents

The Year at a Glance Construction Governance and Agreements Public Outreach Future Lines	2
Message from the Chair	6
Message from the President	7
Corporate Profile	8
Directors and Officers	9
Statement of Corporate Governance Practices	10
Report on Performance Plan	10
Supplementary Information Looking Ahead	14
Financial Report	15
Financial Statements	17

April 2000 to March 2001

Construction

Rapid Transit Project 2000 has made substantial construction progress over the past year, erecting the SkyTrain guideway from New Westminster to Vancouver, beginning station construction and working steadily toward completing the Millennium Line.

- Less than one year after it raised the first concrete guideway segment, the elevated guideway contractor raised the Millennium Line's final segment on Feb. 24, 2001. In total, about 6,000 guideway segments were installed to form nearly 500 beams.

- In July 2000, Bombardier Transportation began installing electrical and mechanical systems, including running rails, power rails, linear induction motor rails and automatic train control.

- The project received authorization under section 35(2) of the federal Fisheries Act, allowing construction to proceed at Brunette River, Stoney Creek and Crabapple Creek.

- Contractors completed civil work for the New Westminster cut-and-cover tunnel, the Front Street special structure and the Lougheed Town Centre guideway.

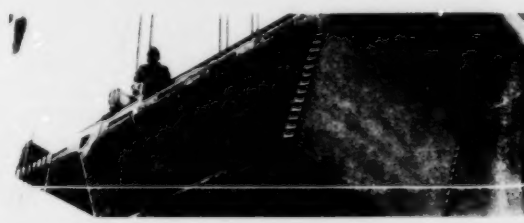
- After completing the New Westminster tunnel, contractor Walter/BFC re-opened the Pattullo Bridge's McBride Boulevard on ramp six weeks early.

- TYM Joint Venture, a First Nations company, began building the three-hectare Sapperton Landing riverside park in New Westminster.

- Contractors began building 11 of the Millennium Line's 12 stations (a 13th station will be built at Lake City Way in Burnaby by early 2004).

- Contracts were awarded to Peter Kiewit Sons to build the guideway in the Grandview Cut.

- Bombardier completed several MK II cars at the company's new Centre for Advanced Transit Systems plant in Burnaby and began testing them on the existing guideway.



Governance and Agreements (Project Management)

From the outset, RTP 2000 has placed a strong emphasis on governance systems and appropriate controls to ensure the project meets construction and financial goals. During 2000/2001, RTP 2000 continued to support these objectives in a variety of ways.

- In April 2000, after the City of Vancouver endorsed extension of SkyTrain from VCC to central Broadway, RTP 2000 confirmed that the Millennium Line would travel along the south side of the Grandview Cut from Commercial Drive Station to VCC Station, and that VCC Station would be located at Keith Drive and Great Northern Way to provide easy access to proposed high-tech development on the False Creek Flats.

- Two private sector members with project and business management experience – Winston Stothert and Joan Harrison – joined the RTP 2000 board of directors.

- In June 2000, the provincial government passed Bill 23, strengthening the existing agency agreement between B.C. Transit and RTP 2000 and confirming that RTP 2000 had the legal authority to build the Millennium Line and plan future lines.

- The provincial government signed the SkyTrain cost-sharing agreement with TransLink on June 19, 2000. The agreement sets out each party's roles and responsibilities in planning, building, operating and maintaining the new SkyTrain line, and sets out the formula and schedule for paying for future SkyTrain lines.

- RTP 2000 concluded access agreements with the cities of Burnaby and Vancouver.

- The provincial government approved a $35-million municipal integration fund (funded equally by TransLink and the province) for integrating the Millennium Line with the communities it serves.

- Gannett Fleming completed four quarterly independent project management oversight reviews.

- KPMG reviewed the project's financial reports after each quarter.

Public Outreach

Public consultation and community participation have been the cornerstones of planning and building the Millennium Line. In 2000/2001, many community members participated in RTP 2000 milestone events.

- In October 2000, nearly 2,000 people walked through the New Westminster cut-and-cover tunnel and on to the Front Street special structure. A further 3,000 people walked on a finished section of the guideway near Lake City Way in Burnaby in February 2001.

- In October 2000, RTP 2000 partnered with the B.C. Lions football club to recognize the builders of SkyTrain. More than 28,000 fans viewed a 90-second video highlighting project progress shown on the jumbotron at B.C. Place Stadium.

- The project published three editions of Grandview Green News – a neighborhood newsletter about plans for greening the Grandview Cut in Vancouver following construction.

- The project published two project newsletters, each delivered to 415,000 Greater Vancouver households.

- RTP 2000 held four open house events in Vancouver.

- The project produced and distributed more than 90 construction advisory notices and more than 50 construction updates.

- After a kickoff event at Vancouver's Roundhouse Community Centre in April 2000, the project presented models of the Millennium Line's stations and an interactive display at 23 locations around the Lower Mainland, reaching nearly 136,000 people. Venues included the PNE, the Molson Indy, Westminster Quay and more. The station models were also displayed for an extended period at Science World, one of Vancouver's most popular attractions.

- To publicize changed traffic patterns and promote safe driving in construction zones, the project published 16 special inserts in the *Burnaby NewsLeader*. The inserts also helped direct motorists to businesses.

- RTP 2000 launched FM 88.1 SkyTrain Construction Radio, a public service that informs motorists of traffic changes, answers questions about the project and updates listeners on construction progress.

- RTP 2000 launched a new and improved website in early March 2001. The site has drawn as many as 14,000 visitors in one month.

Future Lines

Planning beyond the Millennium Line is a key component of RTP 2000's mandate. Some key 2000/2001 accomplishments:

- Following the release of a series of eight technical reports on the Port Moody-Coquitlam Line in February 2000, the project completed a public consultation program to help Burnaby, Coquitlam, Port Moody and TransLink determine their preferences for the line's route, alignment and station locations.

- In July 2000, Burnaby, Coquitlam, Port Moody and TransLink made route, alignment and station location recommendations, and requests for further investigation of variations on them. Then the project began technical studies as a prelude to preliminary engineering for the PMC Line.

- RTP 2000 launched a new website devoted to the PMC Line in November 2000.

- For the Vancouver-West Line, RTP 2000 completed a draft preliminary planning/ engineering report on a technically preferred alignment as input to the City of Vancouver's technology study.

- Following the City of Vancouver's decision to use SkyTrain technology from Commercial Drive to central Broadway, RTP 2000 began a multiple account evaluation to support a final endpoint decision for the Vancouver-West Line.

- The company also took part in discussions with the City of Vancouver about some of the development implications of building a SkyTrain line in the Broadway corridor, and expects to complete an assessment study in early 2001/2002.

Message from the Chair

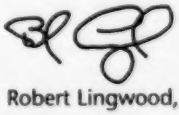
During the past year the Millennium Line has become a part of Greater Vancouver's skyline. The quality of the project's construction is a credit to our contractors and their employees.

The new stations, the most compelling visual aspects of the Millennium Line, were under construction by year-end. The stations' unique designs offer safe, functional environments for SkyTrain customers and display the talents of B.C.'s architects.

Bombardier's first MK II cars were also completed in 2000/2001. The larger, sleeker vehicles will improve customer comfort, enhancing service quality on both the existing and Millennium SkyTrain lines. The high quality of these vehicles is a tribute to the employees at Bombardier's Burnaby facility.

The diligence and project management expertise of RTP 2000's management team continues to keep the project on its demanding schedule and within budget. The team's ability to innovate, exercise sound financial management and solve the issues generated by a project of this scope is a source of great pride.

I would like to extend my gratitude and thanks to my fellow board members, who have given their time and knowledge willingly to ensure the success of the rapid transit project. It is clear to all that the greater personal mobility created by the Millennium Line will improve Greater Vancouver's already desirable quality of life for decades to come.



Robert Lingwood,
Chair

Message from the President

Without a doubt, this has been the most exciting year in our company's short history. We made great progress in construction, saw some of the Millennium Line's stations begin to take form and saw some of the new line's promised benefits begin to bear fruit.

Lecia Stewart, President

Perhaps the most visible way we moved ahead in the past year was in construction. Last April we had barely begun raising the Millennium Line's elevated guideway. Today that job is finished.

In April 2000 the New Westminster cut-and-cover tunnel was little more than a hole in the ground. Now the tunnel is finished, the earth has been replaced and landscaping has healed the scars of construction.

One year ago, not a single station was being built. Today 11 of the Millennium Line's 12 stations are under construction and two – Braid and Sapperton – are nearing completion.

Tracks, switches, power rails and other electrical and mechanical systems needed to run SkyTrain are also fitting into place.

All of this progress reaffirms that we are on target to open the first section of the line through New Westminster later this year. But most exciting, we are delivering a rapid transit line that people are eager to use.

Every day people tell us, through phone calls, e-mails and letters, that they're anxious to start riding in the new MK II SkyTrain cars and that they're excited about being able to reach key Greater Vancouver destinations quickly, comfortably and safely without traffic headaches.

From the time this project began, our focus has been on building a rapid transit system that reflects the input thousands of customers gave us during our public consultation process. Today the results of this customer focus are coming to fruition.

In New Westminster, Burnaby and Vancouver, stations designed by some of B.C.'s most talented architects are taking shape. These new stations use glass extensively, allowing customers to see in and out, heightening their sense of

security. We are also building spaces for retail outlets and attendants' offices as our customers asked and we are ensuring that the stations are bright, friendly and integral parts of their communities.

In Burnaby, the first MK II SkyTrain cars have rolled from Bombardier's Centre for Advanced Transit Systems. As our customers requested, the new cars are wider and longer than the Expo Line's MK I cars, they have more doors to allow faster passenger loading and unloading and they are climate controlled to ensure passengers are comfortable in all weather conditions.

And while we're still a few months away from opening the first section of the new line, the Millennium Line is already fulfilling its promise as a catalyst for compact development.

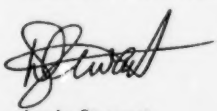
In Burnaby, parts of the Madison Centre, a mixed residential/ commercial development that will contain three residential towers and a 100,000 square foot mall, are already open near the Brentwood Town Centre and Gilmore stations. In Vancouver, the seven-hectare Broadway Tech Centre is rising quickly only one block from Renfrew Station, with three of eight planned buildings set to open this fall. Other developments along the Millennium Line have also been announced and will follow in the next few years.

All of this progress has been made possible by careful planning and hard work. Early in the project we put management policies and procedures in place for cost controls, project organization, cost and schedule integration and more, then had them independently reviewed by PricewaterhouseCoopers to ensure they were appropriate.

These policies have allowed us to achieve a level of openness not usually found in government projects. Every quarter the project's management and progress is reviewed by the independent project management firm Gannett Fleming and the project's financial results are reviewed by the chartered accounting firm KPMG. These reviews are available on the company's website.

Best of all, in 2000 a Deloitte Consulting report of provincial capital projects cited RTP 2000 as having a "model" reporting structure and noted that the project was the only government entity that had implemented earned value management reporting – a key step in keeping our board and the government informed about the project's progress and status.

It's hard not to be excited by our progress and the promise it holds for better rapid transit and livability in Greater Vancouver. I hope you'll join me in a few months as we open the Millennium Line's first section in New Westminster.



Lecia Stewart
President

Directors and Officers

Board of Directors

Reporting directly to the minister responsible for Transit, RTP 2000 is led by a six-person board of directors. In 2000/2001, the board consisted of:

- Bob Lingwood, RTP 2000 board chair – president and CEO of B.C. Ferries
- George Chen, chair of RTP 2000's audit committee – chair of B.C. Transit
- Joan Harrison – human resource management consultant
- Blair Redlin – president of the B.C. Transportation Financing Authority
- Lecia Stewart – president and project director of RTP 2000
- Win Stothert – chair of The Stothert Group

RTP 2000 reports monthly to the board regarding financial matters, system engineering and design, communications, public consultation and environmental matters.

Executive Group

RTP 2000 is led by a team of executives with extensive experience in planning, designing, building and operating various transit and transportation projects within Canada and overseas. Most members of the executive team also have experience designing and building Vancouver's existing SkyTrain line and the West Coast Express commuter rail line. The executive group includes:

- Lecia Stewart – president and project director
- Teresa Watts – deputy project director
- John Eastman – project manager
- Colin Smith – chief financial officer
- John Doyle – executive director, public affairs
- David Walker – director, project services and controls
- Amanda Farrell – corporate secretary
- Gary Youngman – director of negotiations

Statement of Corporate Governance Practices

Since incorporation, RTP 2000 has ensured that appropriate management policies and procedures are in place. Policies cover such areas as:

- Project organization
- Document control
- Cost control
- Variance analysis
- Cost and schedule integration
- Procurement
- Contract administration
- Risk management

RTP 2000's management group has also implemented integrated scheduling, contract management and financial management systems to assist in the overall project management.

Report on Performance Plan

As required by the Ministry of Finance, RTP 2000 publishes an annual performance plan that charts the company's goals and performance targets for the coming year. This performance plan is available on the RTP 2000 website (www.rapidtransit.bc.ca) or by calling the company's information services department at 604-739-6985.

This section assesses RTP 2000's progress in achieving the goals and performance targets set in the company's 2000/01 Performance Plan.

Goal 1 Design and Construct the Millennium Line This goal consists of two measures – keeping the project on budget and on schedule.

Budget The project's approved budget is $1.1665 billion to build the Millennium Line from Columbia Station in New Westminster to Vancouver Community College's King Edward campus via the Broadway-Lougheed corridor. As of March 31, 2001, the project's forecast to complete the project remains within the approved budget.

Schedule The 2000/01 performance plan called for the first segment of the new line through New Westminster to be open by the end of 2001, followed by the segments to Commercial Station and on to Vancouver Community College to be in revenue service by summer 2002.

The first section of the line, from Columbia Station to Braid Station in New Westminster is on schedule to open by the end of 2001. The second section, to Commercial Drive Station, will be open by summer 2002. Because of longer than expected negotiations with Burlington Northern Santa Fe railway, the final leg to VCC is now expected to open in late 2002.

Goal 2 Maximizing the Millennium Line's Customer Appeal In 2000/2001, RTP 2000 continued to incorporate the suggestions gathered during its extensive public consultation period, particularly those regarding station design and construction. Suggestions included adding retail spaces to the stations, keeping Millennium Line stations safe and well lit at all times, and making each station a unique expression of the community it serves.

Public consultation continued for the final leg of the Millennium Line, from Commercial Drive Station to VCC Station to ensure that the Millennium Line will integrate effectively with the Grandview Cut and its surrounding neighborhoods.

Goal 3 Ensuring Environmental Considerations are Accounted for in all Project Decisions RTP 2000 continued to ensure that environmental considerations were taken into account during construction and planning in 2000/2001. The environmental management team remained in place to ensure that commitments made during the project's planning, design and

approval stages were properly monitored and fulfilled. As a result, no significant environmental incidents occurred during 2000/2001.

Activities that continued during 2000/2001 include:

- Inspecting all construction according to the RTP 2000 construction environmental management program and agency requirements.
- Completing habitat compensation work at Sapperton Landing, Brunette River, Stoney Creek, Burnaby Mountain, Buena Vista Creek, Beecher Creek and Chubb Creek.
- Building Sapperton Landing park.
- Planning and designing the Grandview Cut greenway.

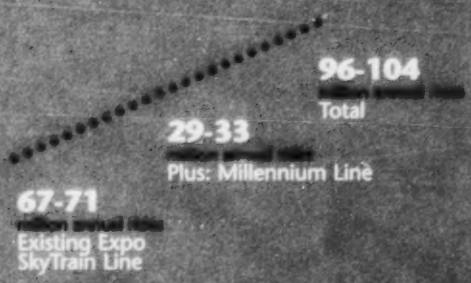
Goal 4 Meeting and Exceeding System Performance Targets
Passenger capacity, ridership, travel time and system reliability targets remain unchanged.

Passenger capacity The Millennium Line will have a capacity of 30,000 passengers per peak hour, per direction travelled. SkyTrain is a grade-separated system, meaning it travels along a designated guideway. Therefore, service is assured regardless of road conditions. SkyTrain's success in Greater Vancouver is due to the fast, reliable and convenient service it provides.

Although Greater Vancouver's SkyTrain system boasts the largest fleet of MK I SkyTrain vehicles in the world, the existing Expo Line has operated at capacity since 1990. To increase capacity of that line, which operates from downtown Vancouver to Surrey, 20 new MK II SkyTrain cars have been purchased and will be in operation by fall 2001.

Ridership As presented below, RTP 2000's goal is to contribute to ridership targets of 100 million passengers for the entire SkyTrain system by 2006.

Annual SkyTrain Ridership Forecasts, 2006



Travel time The goal is to attract commuters by providing a fast and frequent service with competitive travel times. The estimated travel time between Columbia Station and Vancouver Community College Station – the length of the 21-km Millennium Line – is about 32 minutes. Depending on the time of day, the same trip would take 40 minutes or more by car.

System Reliability The goal is to ensure the Millennium Line meets or exceeds the reliability of the existing Expo Line. The reliability target for the new line is to deliver 95 per cent of all scheduled trips within two minutes of the scheduled trip time.

Goal 5 Planning for the Construction of the Skytrain line to Port Moody-Coquitlam and West of Vancouver Community College

RTP 2000's mandate is to establish the scope, estimated cost and implementation plans for building rapid transit lines along corridors from Lougheed Town Centre to Coquitlam Town Centre via Port Moody (the PMC Line) and west from Vancouver Community College along the Broadway corridor (the Vancouver-West Line) to a terminus between Cambie and Arbutus.

RTP 2000 continued with public consultation for the PMC Line in 2000/2001, holding 15 open houses and other public events and speaking with hundreds of residents, business owners and employees. Working in co-operation with TransLink, the regional transportation authority, the company also began preliminary design of the new line. This process continued as of March 31, 2001, with TransLink expected to make key station location and route alignment decisions in the near future.

For the Vancouver-West Line, RTP 2000 began a multiple account evaluation to determine the optimal terminus for the line. The company also completed a draft preliminary planning/engineering report on a technically preferred alignment as input to the City of Vancouver's technology study. When an endpoint for the Vancouver-West Line has been determined, RTP 2000 plans to continue with engineering studies and will begin public consultation on the line's alignment and station locations.

Supplementary Information

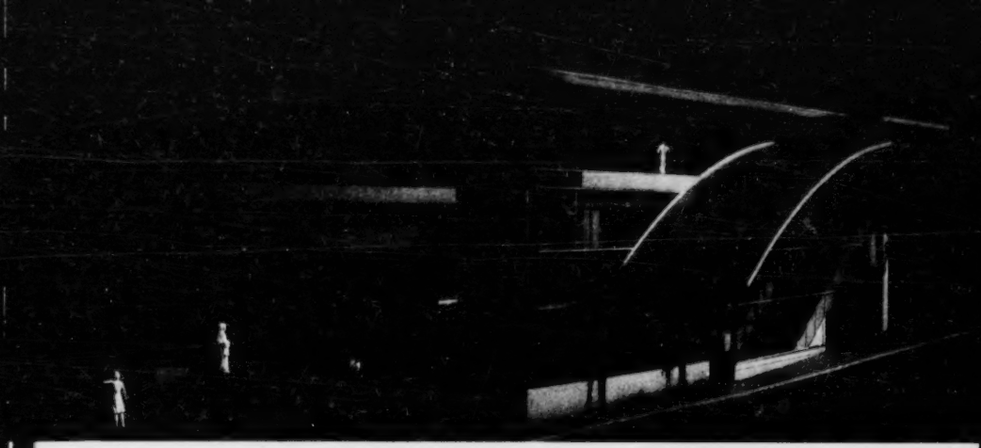
Looking Ahead

In 2001/2002, RTP 2000 will achieve a number of key milestones:

- The Braid and Sapperton stations in New Westminster will be finished in the summer of 2001. Several more stations will be completed by early 2002.
- Contractor Peter Kiewit Sons will finish building the at-grade guideway in Vancouver's Grandview Cut in 2001.
- Sapperton Landing park in New Westminster will open in the fall of 2001.

Testing and commissioning of the initial phase of the Millennium Line.

- The first section of the Millennium Line, from the existing Columbia Station to a new station at Braid Street and Brunette Avenue, will open for revenue service in late 2001.



Financial Report

Management Discussion

In May 1998 the provincial government approved a budget of $1.1665 billion to plan, design and build a new SkyTrain line (the Millennium Line) from New Westminster's Columbia Station to Vancouver Community College's King Edward campus (VCC). Subsequently, five other related projects were approved:

- Lougheed Mall to Coquitlam definition phase ($6.8 million)
- VCC to Arbutus definition phase ($4.2 million)
- Negotiations ($1.7 million)
- Coquitlam pre-build ($29.3 million)
- System upgrades ($94 million)

As part of its cost-sharing agreement with the Greater Vancouver Transportation Authority (TransLink), the government also approved an additional expenditure of $35 million in jointly funded Millennium Line scope enhancements under a municipal integration fund (MIF).

In addition, the province is funding RTP 2000's acquisition of 20 MK II SkyTrain vehicles for TransLink to use on the existing Expo SkyTrain line. Total costs of about $68 million (including interest) will be recovered in full from TransLink on acceptance of delivery of the vehicles, as will the $94 million for the Expo Line upgrades and $17.5 million for the MIF items upon their completion.

Millennium Line

The Millennium Line's budget includes:

- $833.5 million for direct costs, including the cost of the guideway, stations, operating systems, vehicles and land
- $117.3 million for design, management, public consultation and communications
- $215.7 million for financing, taxes and project contingency

As of March 31, 2001, project expenditures totaled $812 million. A further $160.6 million was recorded as commitments, of which $130.9 million was committed contractually.

Other projects (including MIF)
To March 31, 2001, expenditures on the other projects totaled $89.9 million of the $171.01 million approved. A further $22.14 million was recorded as commitments, all of which was contractually committed.

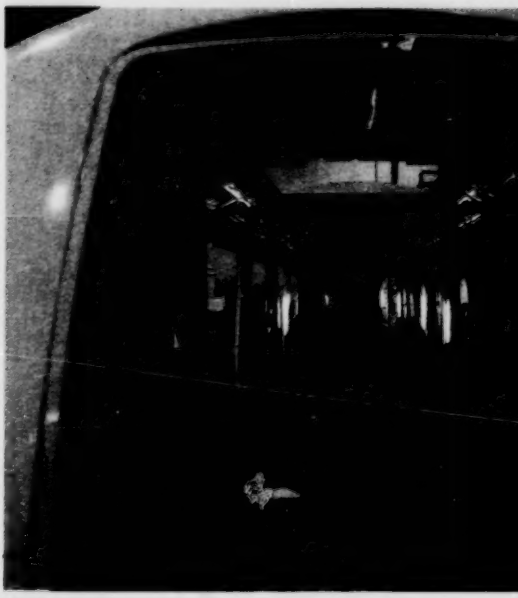
Total projects
For fiscal 2000/2001, authorized expenditures totaled $416.64 million. Actual expenditures were $358.2 million. The shortfall of $60.65 million remains largely attributable to the continuing lag effect from the delayed construction start because of late environmental approvals and conclusion of access agreements. Unexpended funding is being carried forward to future years.

Project management
During the year, management continued to use a series of initiatives to enhance its integrated scheduling, contract management and financial systems, including:

- Earned value reporting, which measures project cost and schedule performance
- Monthly cost reports to enable management and administration at both contract and work breakdown structure levels
- Distributing cost reports electronically through RTP 2000's local network (intranet)
- Quarterly financial reviews by external auditors
- Quarterly project progress and risk identification reviews by external consultants specializing in management of large transportation capital projects
- Posting monthly and quarterly financial and progress reports on the RTP 2000 website

Management also updated its detailed staffing wind-down plan through the completion of construction and the closeout of the project.

RTP 2000 suffered no impact from the Year 2000 (Y2K) issue.



RAPID TRANSIT PROJECT 2000 LTD.

Financial Statements

Years ended March 31, 2001 and 2000

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of Rapid Transit Project 2000 Ltd. as at March 31, 2001 and the statements of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2001 and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by British Columbia's Company Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

Vancouver, Canada
April 27, 2001

RAPID TRANSIT PROJECT 2000 LTD.

Balance Sheets

March 31, 2001 and 2000

Assets

	2000	1999
Cash	$3,188,469	$1,248,177
Accounts receivable	1,241,367	622,736
Receivable from Greater Vancouver Transportation Authority	8,942,602	1,999,421
Prepaid expenses	68,365	61,846
GST receivable (note 3)	26,025,539	13,365,342
Capital assets (note 4)	849,698,184	537,167,051
Deferred start-up costs (note 5)	34,514,270	22,245,460
Deposits on vehicles to be transferred to Greater Vancouver Transportation Authority (note 6)	62,752,669	59,317,156
	$986,431,465	$636,027,189

Liabilities and Share Capital

Accounts payable and accrued liabilities	$25,237,760	$38,671,572
Payable to related parties (note 7)	175,341	124,306
Lien holdbacks	7,482,095	1,890,212
Fiscal agency loan (note 8)	113,826,571	101,193,788
Deferred capital contributions (note 9)	777,567,994	473,123,119
Accrued interest on deferred capital contributions	62,141,703	21,024,191
Share capital (note 10)	1	1
	$986,431,465	$636,027,189

Commitments and contingencies (note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:

George Chen, Director

Bob Lingwood, Director

RAPID TRANSIT PROJECT 2000 LTD.
Statements of Cash Flows
Years ended March 31, 2001 and 2000

	2001	2000
Cash provided by (used in):		
Financing:		
Increase in accounts receivable	$(618,631)	$(622,736)
Increase in receivable from Greater Vancouver Transportation Authority	(6,943,181)	(1,999,421)
Increase in prepaid expenses	(6,519)	(61,846)
Increase in GST receivable	(12,660,197)	(8,701,298)
Increase (decrease) in payable to related parties	51,035	(84,741)
Increase (decrease) in accounts payable and accrued liabilities	(13,433,812)	31,785,379
Increase in lien holdbacks	5,591,883	1,890,212
Increase in fiscal agency loan	12,632,783	44,723,385
Increase in deferred capital contributions	304,444,875	341,796,317
Increase in accrued interest on deferred capital contributions	41,117,512	18,828,537
	$330,175,748	$427,553,788
Investments:		
Purchase of capital assets	(312,531,133)	(412,364,254)
Increase in deposits on vehicles to be transferred to Greater Vancouver Transportation Authority	(3,435,513)	(2,830,984)
Increase in deferred start-up costs	(12,268,810)	(11,150,759)
	(328,235,456)	(426,345,997)
Increase in cash	1,940,292	1,207,791
Cash, beginning of year	1,248,177	40,386
Cash, end of year	$3,188,469	$1,248,177

See accompanying notes to financial statements.

Notes to Financial Statements

1. **Operations:**

Rapid Transit Project 2000 Ltd. was incorporated under the laws of British Columbia. Based on the Protocol Agreement with the Province, represented by the Minister of Finance and Corporate Relations and the Minister Responsible for Transit, Rapid Transit Project 2000 Ltd. was incorporated for carrying out the study, design, construction and development of a Rail Transit System (the "SkyTrain Extension") approved by the Province. In this capacity, the Company acts as an agent for the Province and conducts its activities in a manner consistent with general financial and management policies approved by the Treasury Board and the Province's Policy Framework for Crown Entrepreneurial Activities. Banking, borrowing and investing activities are done in accordance with applicable agreements between the Company and Provincial Treasury. The Company also acts as an agent for and on behalf of BC Transit, and holds the SkyTrain Extension Project and all property acquired by it in respect thereof in its own name on behalf of BC Transit pending completion of the Rapid Transit Project.

2. **Significant accounting policies:**

(a) Basis of presentation: All costs associated with the construction of the SkyTrain Extension are being capitalized to either capital assets or deferred start-up costs. No statement of operations is provided as the SkyTrain Extension is currently in the construction phase and it will be operated by a separate entity.

(b) Capital assets: Capital assets are stated at cost and will be amortized over their useful economic lives upon commencement of revenue service. Amortization is provided on computer software currently in use on the straight-line basis using the following rates:

Asset	Rate
Computer software	33%

Amortization of computer software is included in deferred start-up costs.

(c) Deferred start-up costs: All start-up costs are deferred and stated at cost. No amortization has been recognized as the SkyTrain Extension is still under construction.

(d) Measurement uncertainty: The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates and assumptions relate to the determination of GST receivable, provision for accrued liabilities, and the carrying values of capital assets and deferred start-up costs. Actual results could differ from those estimates.

3. **GST receivable:**

The GST receivable represents 57% of the GST incurred on expenditures made by the Company to date. The remaining 43% of the GST incurred has been included in capital assets and deferred start-up costs. The Company is currently developing a claim for 100% of the GST incurred. Upon resolution of the claim, any differences in GST receivable will be charged to (recovered from) costs recorded to date.

4. **Capital assets:**

			2001	2000
	Cost	Accumulated amortization	Net book value	Net book value
Land	$27,774,857	–	$27,774,857	$23,009,985
Computer software	736,913	736,913	–	245,637
Construction-in-progress (schedule)	821,923,327	–	821,923,327	513,911,429
	$850,435,097	$736,913	$849,698,184	$537,167,051

Included within capital assets is $21.25 million of land which was expropriated under the Expropriation Act and has been registered in the name of BC Transit. Previous owners of expropriated land have up to one year to challenge the assessment value. Any difference between the amounts paid and subsequently reassessed will be recorded in the period of reassessment. The balance of the land, $6.53 million, is registered in the Company's name.

Construction in progress includes $48 million of deferred costs for systems upgrades to the current SkyTrain system and the Operations and Maintenance Centre to accommodate the new Mark II vehicles; and for project scope enhancements under the cost-sharing agreement between the Province and the Greater Vancouver Transportation Authority. Deferred project costs also include funds being advanced by the Company for a Provincially approved pre-build of a connection at Lougheed Town Centre Station for the future Port Moody-Coquitlam Line. The Company will receive reimbursement for the costs of the systems upgrades and up to $17.5 million for the Municipal Integration Fund items as the work is completed. The Company is advancing funding for the Coquitlam Extension up to an approved value of $29.3 million.

Included within construction-in-progress are management estimates of liabilities which may result from negotiations with contractors relating to contract extensions and changes.

5. **Deferred start-up costs:**

Costs incurred to date	2001	2000
Insurance	$744,924	$686,622
Amortization	736,913	491,276
Communications	4,774,662	2,974,543
Business development	3,617,176	2,466,078
Finance and administration	11,322,825	8,047,951
Definition phases	6,795,779	3,745,778
Taxes	614,797	359,006
Other	5,052,250	3,013,640
GST	854,944	460,566
	$34,514,270	$22,245,460

Deferred start-up costs relate directly to the administration, communication, planning and construction of the SkyTrain Extension, and to the preliminary planning and design of future proposed extensions from Lougheed Town Centre to Coquitlam and westward from Vancouver Community College.

6. **Deposits on vehicles to be transferred to Greater Vancouver Transportation Authority:** On October 21, 1998, the Ministry of Finance and Corporate Relations approved the purchase from Bombardier of 20 new Mark II SkyTrain vehicles for the existing SkyTrain system in conjunction with the Company's Mark II vehicle contract.

	2001	2000
Deposits	$55,486,669	$55,486,669
Treasury fees, interest and letter of financial security costs	7,266,000	3,830,487
	$62,752,669	$59,317,156

The vehicles will be transferred to the Greater Vancouver Transportation Authority and full reimbursement of the purchase price plus accrued interest will be paid under an existing negotiated agreement upon completion of the project.

7. **Related party transactions:**
The following table summarizes the Company's related party transactions during the year:

	2001	2000
BC Transit	$304,847	$560,735
BC Transportation Financing Authority	58,571	–
Minister of Finance and Corporate Relations	296,185	197,799
BC Assets and Land Corporation	–	43,674

These transactions, which are with common-controlled enterprises, are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The following amounts are payable to related parties:

	2001	2000
Minister of Finance and Corporate Relations	$98,103	$1,848
BC Transit	45,749	122,458
BC Transportation Financing Authority	31,489	–
	$175,341	$124,306

The amounts payable to related parties are due on demand and have arisen from the purchases of services referred to above.

8. **Fiscal agency loan:**

The fiscal agency loan represents monies borrowed from the Ministry of Finance and Corporate Relations to make deposits on 20 new Mark II SkyTrain vehicles (note 6) and for upgrades to the existing system (note 4). The fiscal agency loan is unsecured and comprises a series of short-term discounted notes which have been continually rolled over. The notes bear interest at rates ranging from 4.73% to 5.31%.

9. **Deferred capital contributions:**

Deferred capital contributions represent funding received from the Ministry of Finance and Corporate Relations for the design, planning and construction of the SkyTrain extension. No security has been provided for the contributions.

	2001	2000
Short-term discounted notes	$13,703,586	$70,577,718
Long-term notes	779,243,107	413,919,522
Less: interest reinvested	(15,378,699)	(11,374,121)
	$777,567,994	$473,123,119

Short-term deferred contributions represent a short-term discounted note which has been continually rolled over. The note bears interest at 4.78%.

Long-term contributions represent short-term notes that have been converted to long-term notes with the following terms:

	Maturity date	Effective yield	Amount
Fixed rate notes:			
	August 23, 2024	6.31%	$54,885,768
	June 18, 2029	6.52%	109,995,184
	June 18, 2029	6.52%	139,739,146
	January 9, 2012	6.38%	16,397,160
	August 23, 2010	6.31%	50,221,592
	August 23, 2010	6.34%	78,303,103
Floating rate notes:			
	December 6, 2002	5.48%	92,902,262
	June 9, 2008	5.96%	136,732,185
	February 8, 2005	5.49%	100,066,707
			779,243,107
Interest reinvested			(15,378,699)
			$763,864,408

Interest is payable on the long-term notes semi-annually.

10. **Share capital:**

The Company has authorized and issued one common share without par value to Her Majesty the Queen in right of the Province of British Columbia.

11. **Commitments and contingencies:**

(a) Operating lease commitments: The Company is committed to approximate payments under operating leases for years ended March 31 as follows:

2002	$1,105,000
2003	54,000
2004	11,000

(b) Capital commitments: As at March 31, 2001, the Company is committed, under a contract with Bombardier, to a further $8.37 million of expenditure relating to the purchase of SkyTrain vehicles.

(c) Construction-in-progress and deferred start-up costs: As at March 31, 2001, the Company is committed to future capital expenditures of approximately $130.9 million for contracts currently entered into with respect to the SkyTrain Extension.

(d) Bombardier: If agreement between the Greater Vancouver Transportation Authority and Bombardier on an Operations and Maintenance contract is not reached, or if the Province does not mandate such an agreement by legislation, then Bombardier can elect to sell, and the Company must purchase, the Centre for Advanced Transit Systems on reasonable commercial terms. Management does not believe that the Company will have to purchase this Centre.

(e) Financial security: The Company has received a $114.6 million letter of financial security from Bombardier Inc. ("Bombardier") in respect of deposits on vehicles. This has been reduced by $76.4 million effective November 6, 2000.

The Company has received a $186 million letter of financial security from Bombardier relating to the Electrical and Mechanical contract. This has been reduced by $56.9 million as of January 9, 2001.

The Company has issued three letters of financial security totalling $865,000 to the Government of Canada, Department of Fisheries and Oceans relating to costs for supply and installation of habitat compensation and environmental monitoring at various construction sites.

The Company has issued a letter of financial security for $190,000 to the City of New Westminster relating to costs to cover construction of restoration and off-site works required to support construction and operation of Sapperton Station.

(f) Contract changes under review: At the year end there were various contract changes and claims relating to schedule delays under review. The Company has not accrued any costs related to these items, since the eventual outcome, and potential amount, if any, of these claims is presently indeterminable. Any amounts eventually paid will be recorded in the period of payment.

(g) Litigation: An action has been brought by one of the Company's contractors in respect of compensation for delays in performance. This claim is in dispute. The eventual outcome, and potential amount, if any, of the claim is presently indeterminable.

RAPID TRANSIT PROJECT 2000 LTD.

Schedule of Construction-in-Progress

Years ended March 31, 2001 and 2000

Costs incurred to date	2001	2000
SkyTrain Extension:		
Electrical and Mechanical Systems	$187,462,416	$184,096,011
Guideway	283,802,576	113,063,200
Stations	31,160,235	-
Systems wide elements	6,425,924	2,593
Deposits on vehicles	103,851,105	103,810,599
Design	22,348,910	16,013,728
Public consultation	3,940,578	3,253,300
Property management	3,195,034	1,920,860
Project controls	6,118,392	3,580,337
Engineering and design management	8,784,375	5,374,119
Construction management	7,302,429	1,622,559
Insurance	2,647,656	2,112,208
Interest	61,503,933	21,061,863
Other	4,526,262	2,151,874
Unrecovered GST	18,023,470	9,095,240
Operations and Maintenance Centre	5,422,125	4,404,939
	756,515,420	471,563,430
Deferred project costs:		
Municipal Integration Fund	4,519,888	783,055
Systems upgrade	48,053,452	40,294,260
Coquitlam Pre-build	12,834,567	1,270,684
	65,407,907	42,347,999
	$821,923,327	$513,911,429